# Warm Springs/South Fremont and the 21st Century Workplace

April 2, 2012

CITY OF Fremont

STRATEGICECONOMICS

EPS

# Introduction

# Why are We Here?

1. Review key findings of recent EDA studies
2. Discuss Warm Springs' strengths/assets driving its potential as a 21st century employment/mixed-use district
3. Hear from you about:
   - How Fremont can best capitalize on this opportunity
   - Gather suggestions on innovative community and stakeholder engagement for the next planning phase

# Today's Agenda

- Presentation
- Question and Answer
- Group discussions
- Report back

# Presentation Overview

- Review EDA-funded study
- Review the bigger picture: Fremont within its Economic/Market Context
- Looking forward: Coming Opportunities for Warm Springs/South Fremont

# EDA Study Results

## Warm Springs/South Fremont Area Studies


Source: Perkins + Will, 2011.

# City Council Goals for Post-NUMMI Reuse and Redevelopment in S. Fremont Industrial Area

- Maintain viability of residential neighborhoods and commercial/industrial uses
- Enhance the economic base
- Encourage uses that increase employment and the City's tax base
- Revitalize and expand industrial and commercial opportunities
- Retain and enhance the existing job base
- Attract a high number of high paying jobs, particularly with long-term potential


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Image Source: Ellen Levy Finch, 2010.

# EDA Grant Purpose was to **Test** Concepts for the Study Area, Clarify Key Assets and Constraints Going Forward

- Four Major Work Products
  - Economic and Market Analysis Strategic Plan
  - Land Use Alternatives Study
  - Infrastructure and Cost Analysis
  - Fiscal and Financial Assessments

Figure 1.1: South Fremont/Warm Springs Study Area

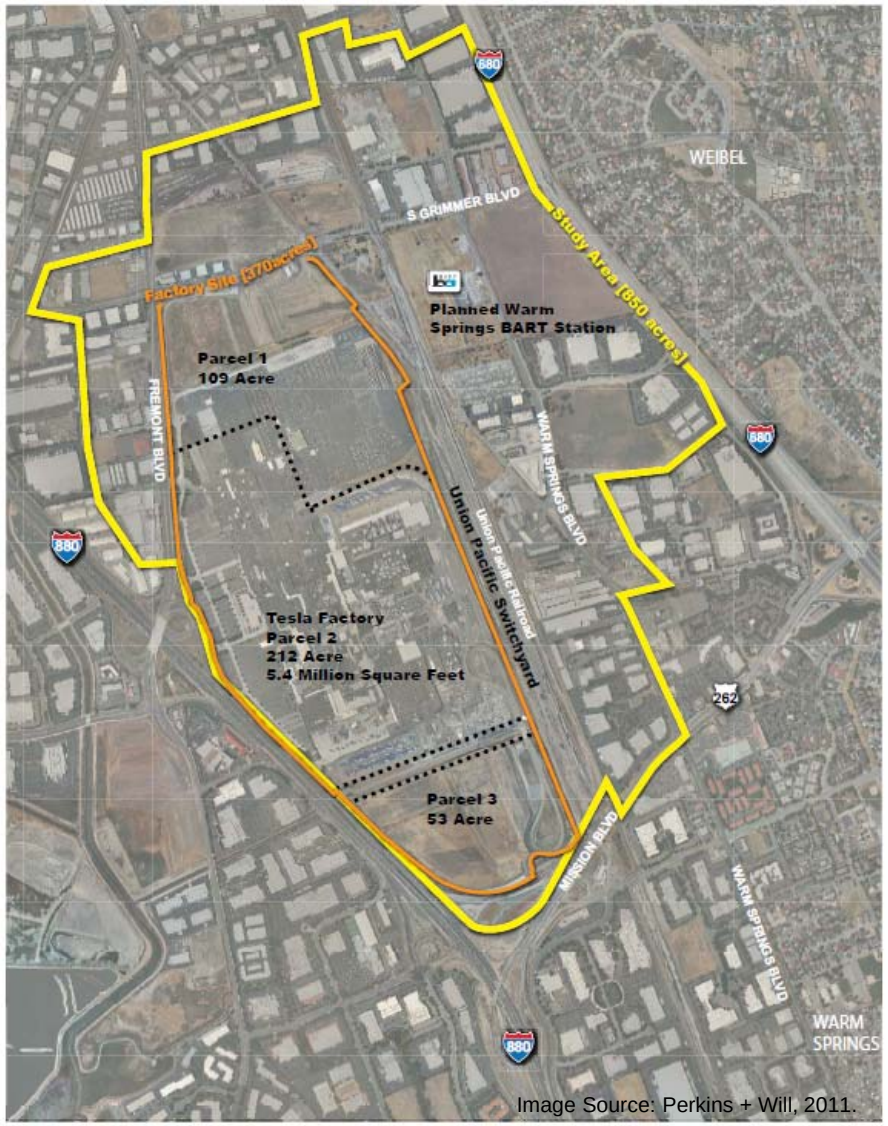



Image Source: Perkins + Will, 2011.

# Key Findings of the Economic Study

- Strong market demand for mix of “employment”
- Housing could work at the site, but only in a significant increment
- Retail should be a supporting use, not a major “driver”
- There is potential demand for a hotel
- Other kinds of catalytic or special purpose uses could easily be accommodated

# Key Findings of the Expert Panel

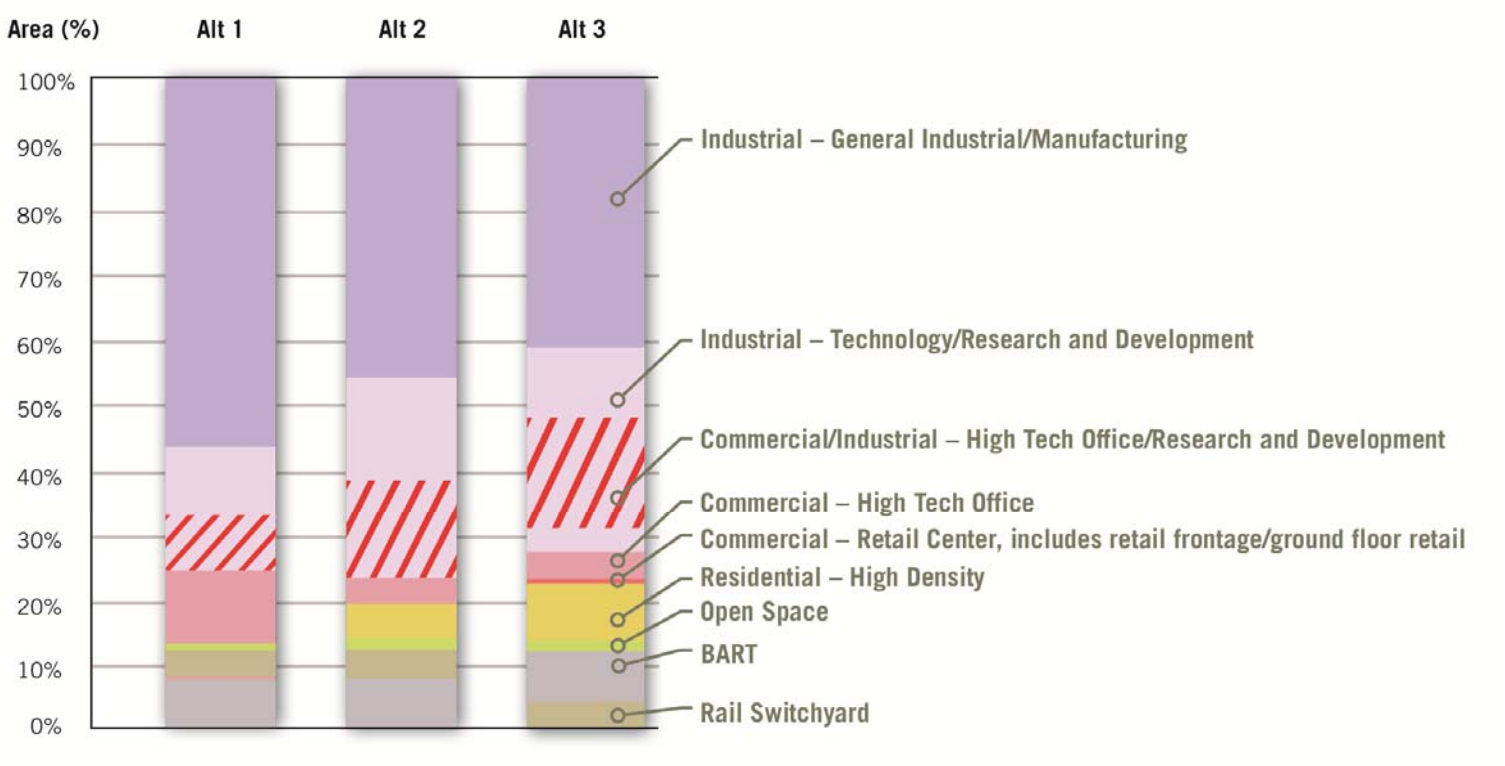
- High urban design “placemaking” standards needed to attract advanced industrial uses and housing
- Growth of innovation industries hinges on providing up-front infrastructure
- Tesla Motors will provide an anchor for growth
- Balance entitlement certainty with flexibility to “pivot” with the market

# Translating the Economic and Market Study Findings into Land Use Concepts

- The Land Use Alternatives were based on Economic and Market Analysis Strategic Plan
  - Included demand for land use mix
- Tested a range of land uses
  - Retain existing industrial uses in the area
  - Create opportunities for high-tech, R&D, housing, and other uses

# Land Use Alternatives Define Range of Land Use Options

Percent of Total Study Area Acreage by Land Use Type*




*Tesla Factory comprises 212 acres (25%) of the Study Area

Image Source: Perkins + Will, 2011.

# Estimating Job Generation from New Development in the Scenarios

| New Development | Alternative 1 | Alternative 2 | Alternative 3 |
|---|---|---|---|
| NON-RESIDENTIAL (Square Footage) | from 5,700,000 sf to 9,000,000 sf | from 4,400,000 sf to 6,900,000 sf | from 4,000,000 sf to 6,700,000 sf |
| JOBS | from 12,300- 26,600 jobs | from 9,700 - 19,700 jobs | from 10,800 - 20,400 jobs |
| RESIDENTIAL UNITS | 0 units | from 2,100 - 3,200 units | from 2,600 - 3,900 units |


Source: Perkins + Will, 2011.

# Alternatives Could be Viable

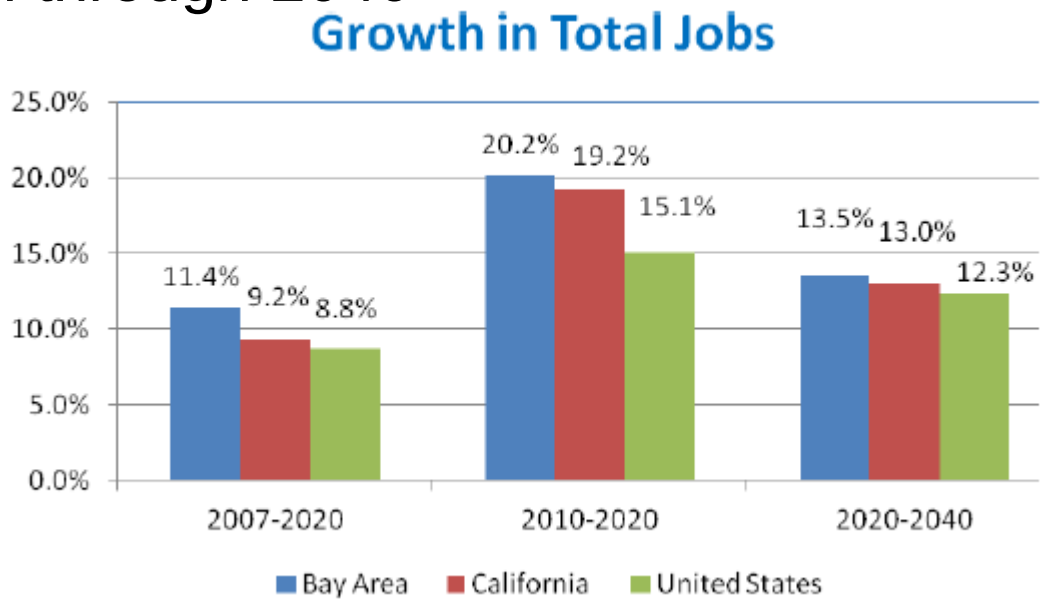
- Meet the City Council goals for the area
- Respond to market demand within the planning horizon
- Sufficient utilities capacity to accommodate the proposed land uses and densities
- New infrastructure requirements could be met with careful combination of local, regional, state, and federal funding sources
- Likely positive fiscal impact to City General Fund

No Fatal Flaws With the Initial Community Vision for Creating a Mixed Use Employment District.

# Fremont within its Economic Context

# U.S. Employment Outlook

- U.S. expected to recover from recession by 2015 or 2016
- Future Growth driven by professional services – especially tech, health care, and education
- Bay Area Employment will outpace California and the Nation through 2040



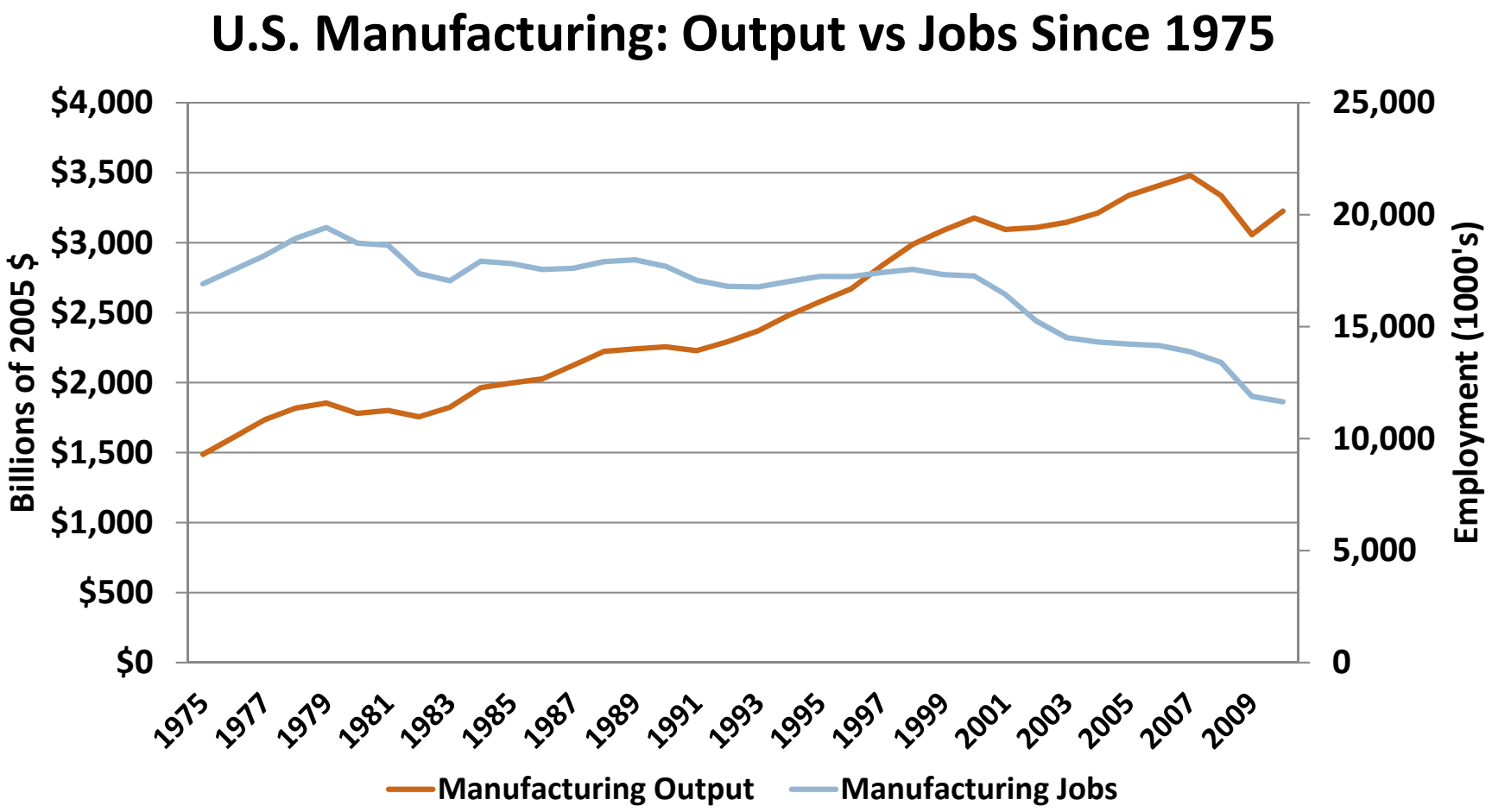

Source: U.S. Bureau of Labor Statistics, 2010; Center for the Continuing Study of the California Economy, 2012 (http://www.planbayarea.mobi/pdf/3-9-12/CCSCE_Bay_Area_Job_Growth_to_2040.pdf)

# Bay Area Employment Growth will be Led by Technology

- Leading sectors (40% of Bay Area jobs)
  - Technology – hardware, software, social media, professional & technical services, biotechnology
  - Foreign Trade
  - Tourism
- UCLA forecasts 5.8% overall job growth in next two years
  - 4th quarter 2011 to 4th quarter 2013

Source: Steve Levy, Center for the Continuing Study of the California Economy, 2012; UCLA Anderson School of Management, 2012.

# Declining Manufacturing Employment Understates Strength of this Sector and its Continuing Real Estate Demand




Source: Federal Reserve; Bureau of Labor Statistics; Mercatus Center at George Mason University.

# Nationwide, Workplaces are Evolving – Interactive, District-Scale

- Traffic congestion throughout region benefits core locations
- Access by multiple transportation modes
- Mixed uses
- Strong urban form
- Informal interaction and idea-sharing
- Amenities

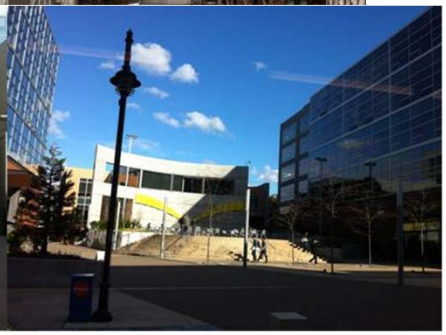
"Dense settings allow people to better share ideas and information – and thereby help stimulate new company creation and further economic growth…The corner office is going away, replaced by a collaborative and open work environment that…extends to coffee shops and parks in the surrounding neighborhood."

-SPUR, "The Urban Future of Work"

# Example: South Lake Union Transformation from Antiquated Industrial Use to Modern Employment District

South Lake Union, Seattle was characterized by low-slung warehouses and factories

The area is transforming into a dense, interactive employment district



Source: Eugenia Woo, 2012; Cooper Jacobs Commercial Real Estate Services, 2012; Stuart Isett, New York Times, 2012; Mike Siegel, The Seattle Times.

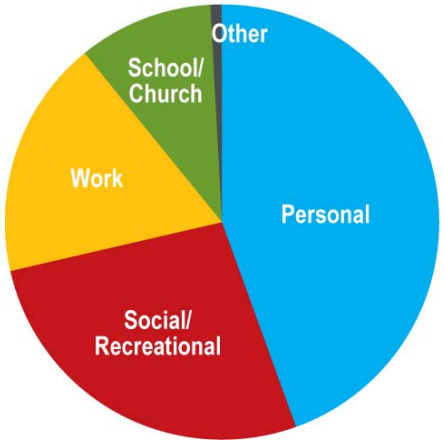
# Example: North of Massachusetts (NOMA) Transformation

North of Massachusetts neighborhood in Washington, DC is transforming from vacant industrial to a mixed-use employment center

Source: Urban Land Institute, 2012.

# Employment Centers Are Becoming Central to Transit Planning

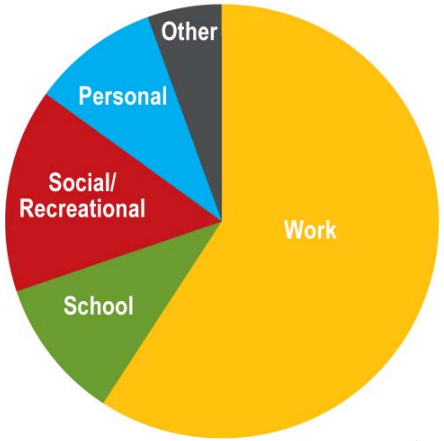
## Work Trips are Less than 20% of Total Trips




| Trip Purpose | % Of Trips |
|---|---|
| Personal | 44.5 |
| Social/ Recreational | 26.9 |
| Work | 17.8 |
| Scool/Church | 9.8 |
| Other | 0.9 |

***Source:*** *Commuting in America III*

## Work Trips Fundamental to Transit Commute (60%)



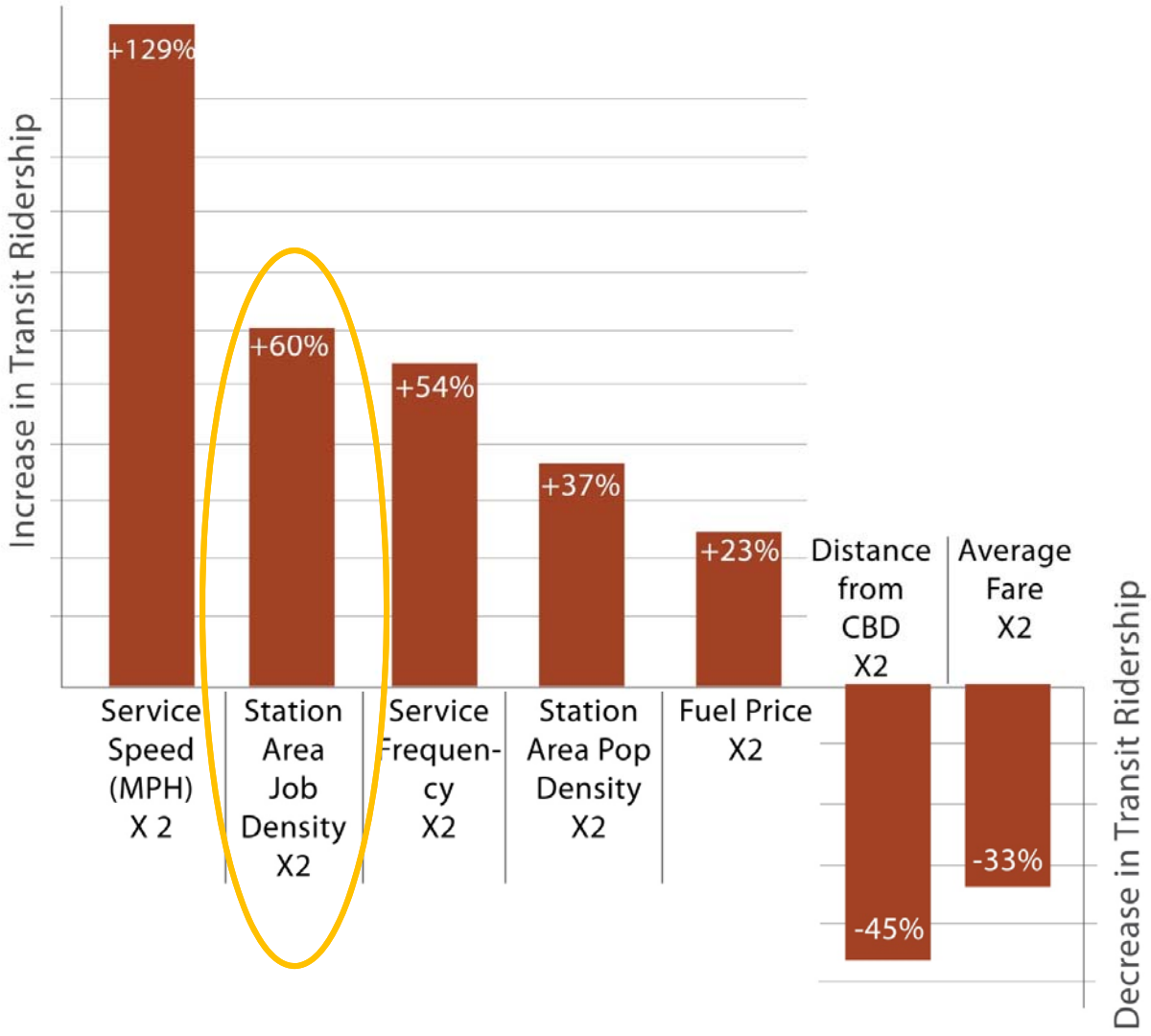

| Transit Trip Purpose | % Of Trips |
|---|---|
| Work | 59.2 |
| School | |
| Social/ Recreational | 15.3 |
| Personal | 9.3 |
| Other | 5.7 |

***Source***: *2007 APTA Transit Factbook*

- By a wide margin, the largest group of transit trips are commute trips
- Transit lines are most productive when they serve strong employment centers

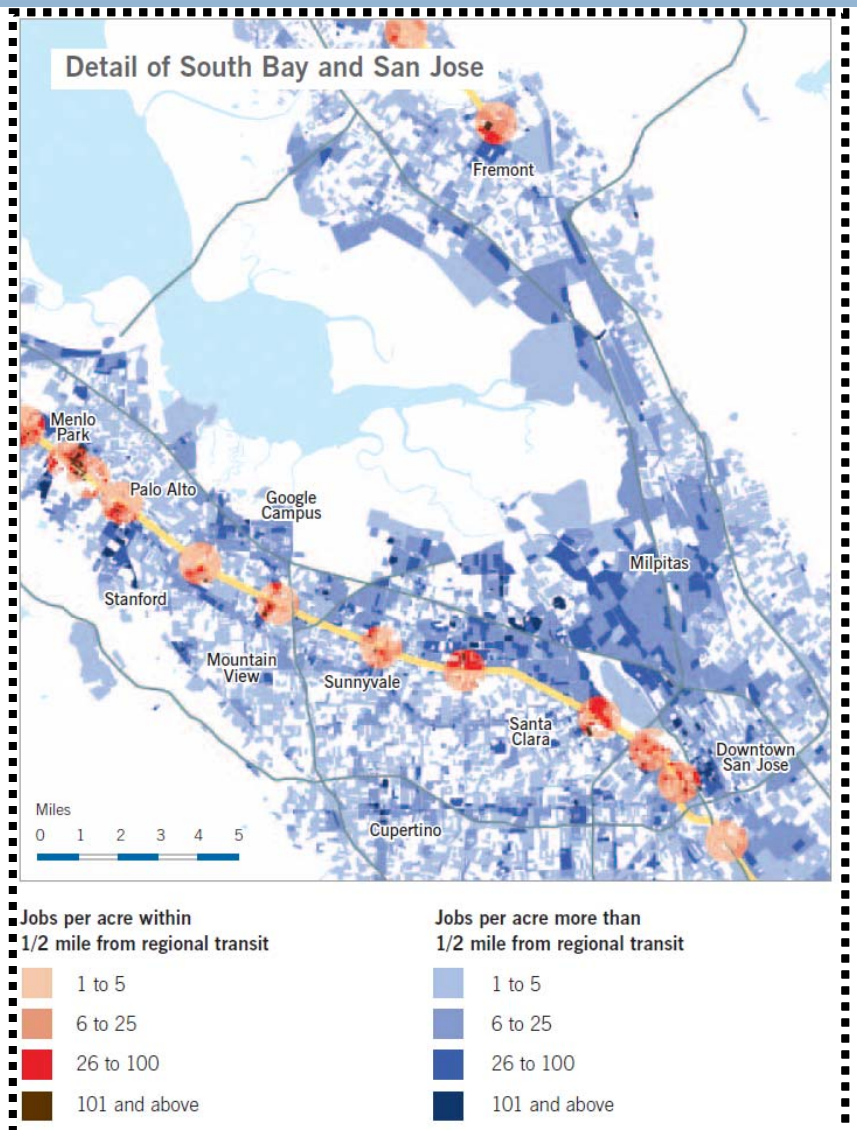
Source: Pisarski, *Commuting in America;* Center for Transit-Oriented Development.

# National Research: Transit Use and Employment Density are Strongly Correlated




Source: Guerra and Cervero, 2011.

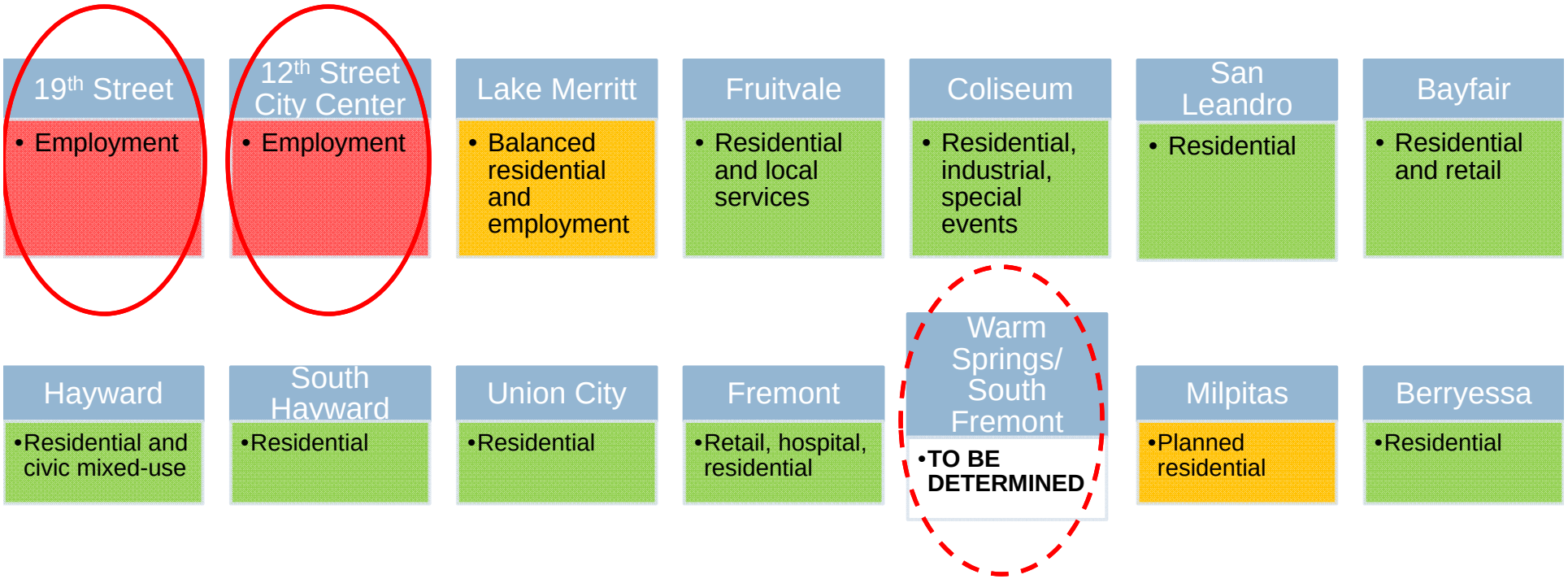
# Silicon Valley Employment Rings the Inner Bay; Fremont is Part of this "Core"




Source: SPUR, 2012; Dunn & Bradstreet; ABAG; Michael Reilly.

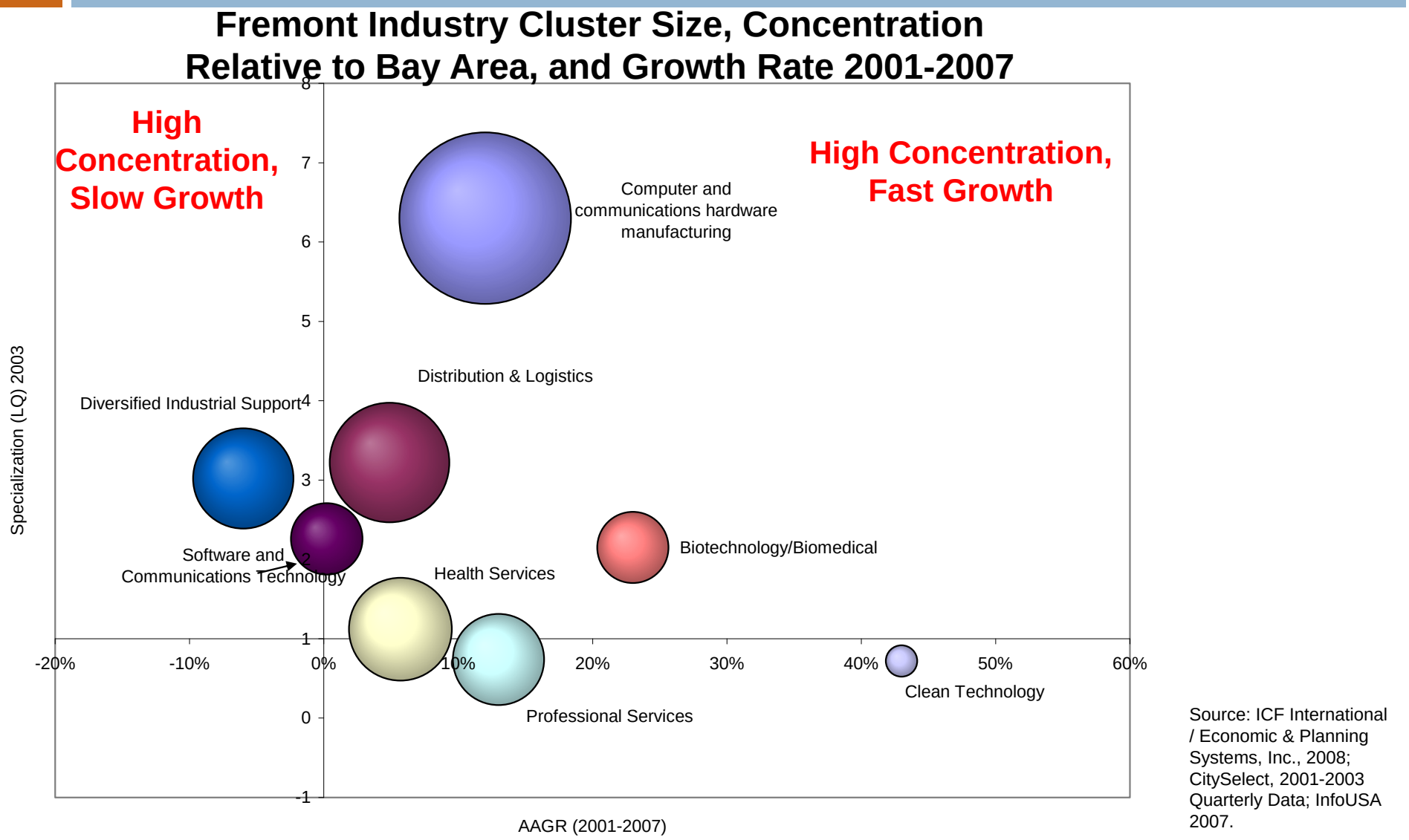
# East Bay Transit Features Gap in Serving Employment Districts

- There is no BART-accessible employment district south of Downtown Oakland



# Fremont's Economy

# Fremont's Innovation Clusters Match Regional Growth Industries




Source: ICF International / Economic & Planning Systems, Inc., 2008; CitySelect, 2001-2003 Quarterly Data; InfoUSA 2007.

# Fremont Industry Clusters with Strong Potential

- Large industry clusters in Fremont with strong growth prospects:
  - Computer/Communications Manufacturing
  - Distribution and Logistics
  - Biotechnology/Biomedical
  - Clean Technology
  - Health Services
  - Professional Services

Source: Economic & Planning Systems, Inc., 2011.

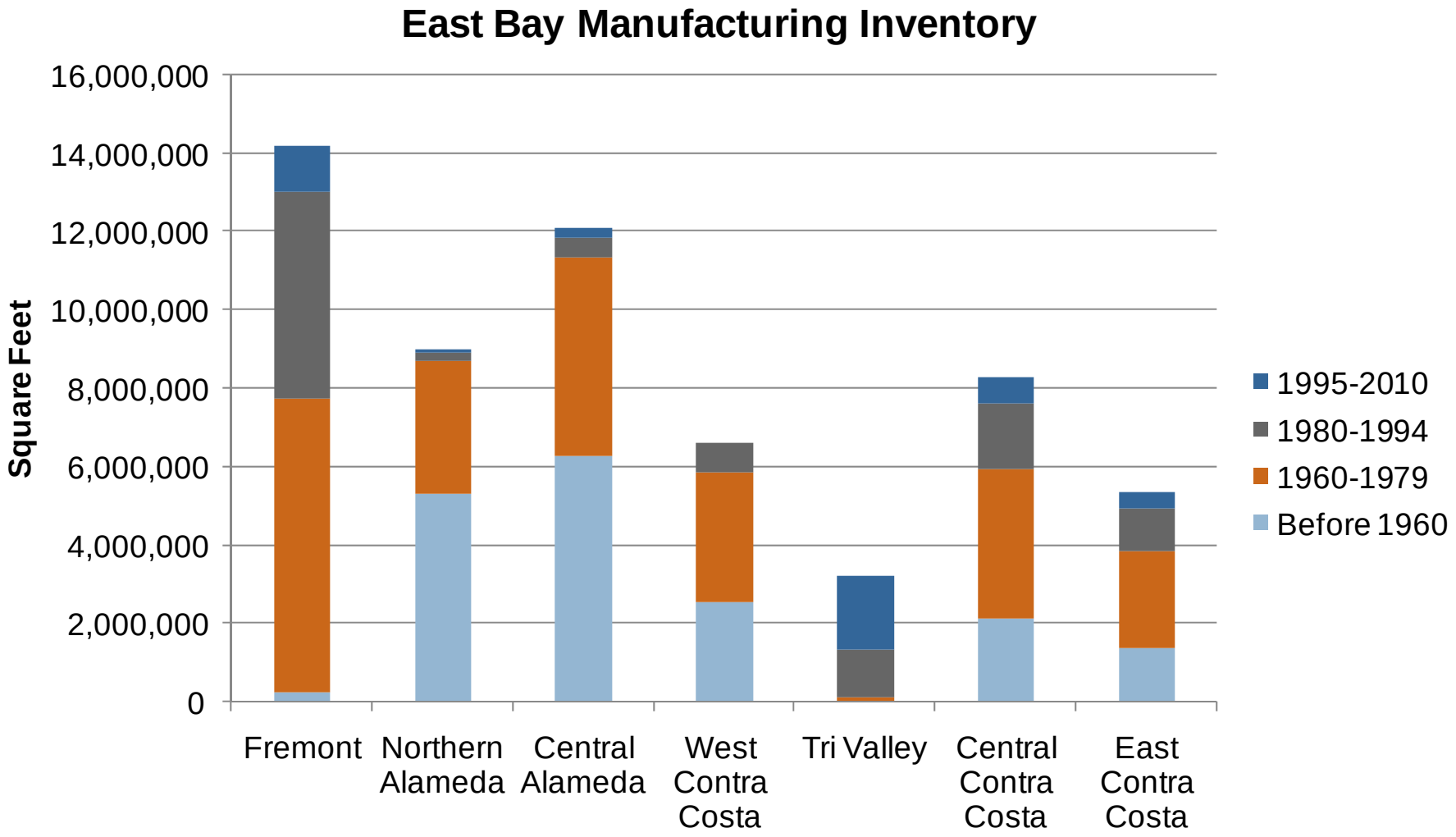
# Continuing Potential for Advanced Manufacturing in Fremont

- Manufacturing is linked to fast-growing tech
- Fremont is cheaper for manufacturing compared to other Bay Area locations
- Excellent transportation infrastructure and vacant land availability
- Not a low-cost site in global context; high-value manufacturing is key

# Factors Favoring Fremont

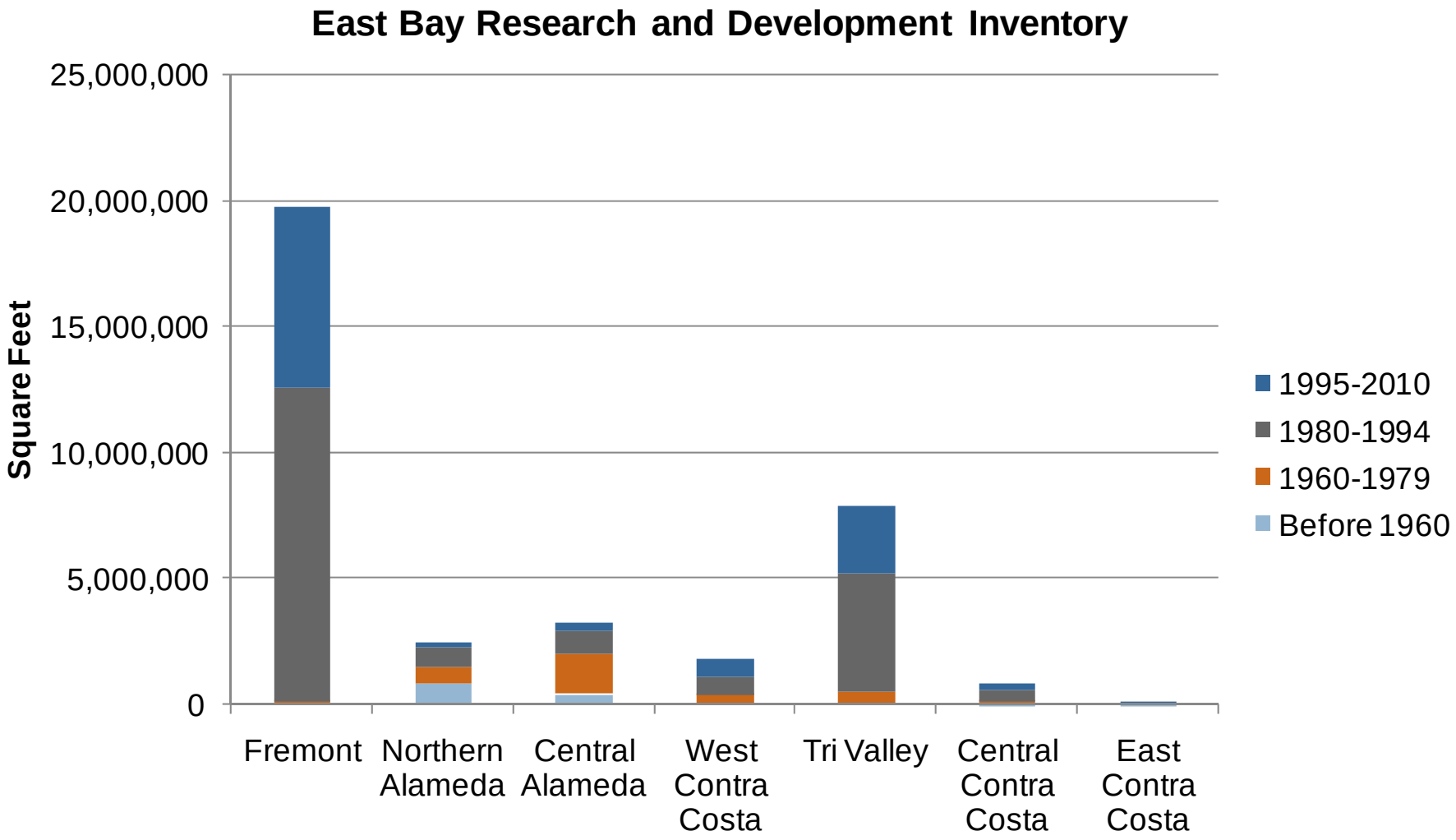
- Existing industries directly related to Bay Area leading industries
- Lower cost location within core Bay Area
- Silicon Valley access/integration
  - Dumbarton Bridge access to Peninsula
- BART access
- Good schools and housing
- Diverse community
- Land supply

# Fremont Dominates East Bay Manufacturing Space Inventory




Source: CBRE, 2011; Colliers Parish, 2011; East Bay EDA, 2011; Strategic Economics, 2012.

# Fremont Dominates East Bay Research and Development Space Inventory



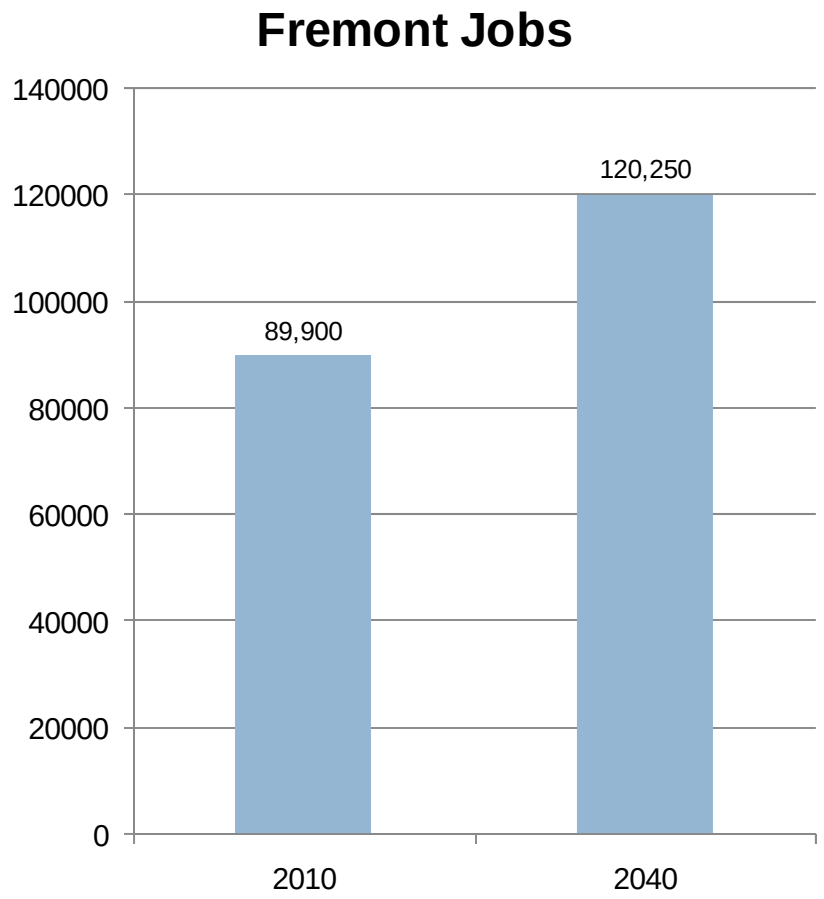

Source: CBRE, 2011; Colliers Parish, 2011; East Bay EDA, 2011; Strategic Economics, 2012.

# Some Fremont Inventory is Obsolete and will Transition

- Some older manufacturing buildings obsolete:
  - Ceiling heights too low for Green Tech equipment (Need 24 foot clear height)
  - Outdated power supply and distribution capabilities
- Non-ideal uses backfilling obsolescent buildings (houses of worship, recreation, dentists, etc.)
- Older stock will be redeveloped over time as markets improve

# Robust Projected Employment Growth in Fremont

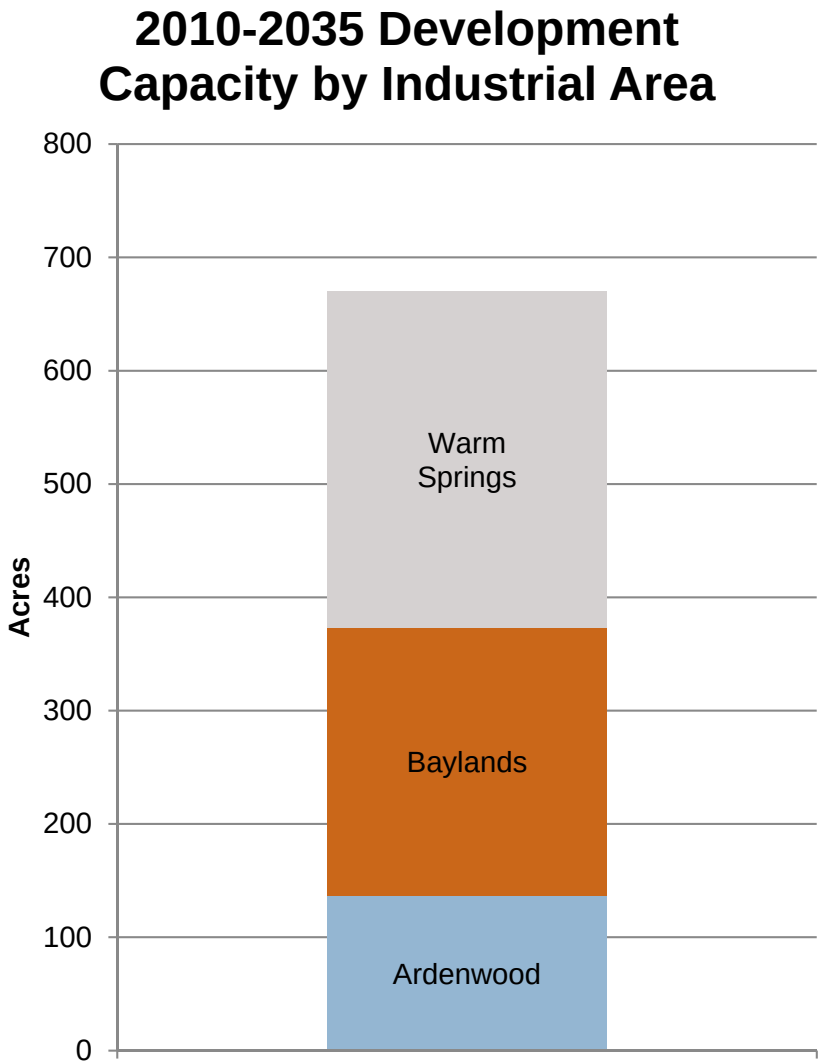
- Fremont projected to add 30,360 jobs between 2010 and 2040
- Represents demand for millions of square feet of commercial space




Source: Plan Bay Area, 2012 (ABAG, MTC).

# Future Demand will Exist for Fremont's Industrial Lands

- Even after absorption of vacant space, future demand for new development exists
- Meeting demand requires adding space in all Fremont industrial areas




Source: Economic & Planning Systems, Inc., 2011; City of Fremont, 2010; ABAG, 2009; County Assessor's Office, 2011; Strategic Economics, 2012.

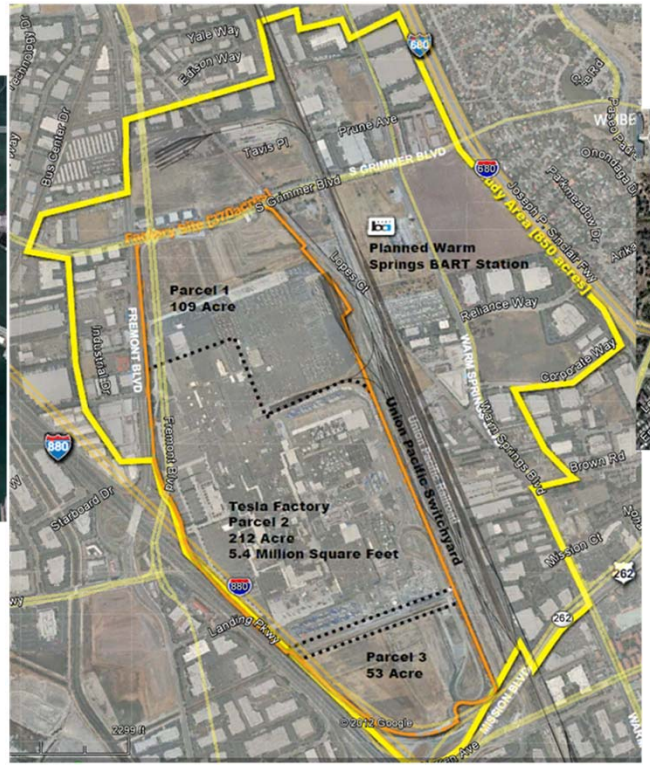
# Looking Forward

Why Warm Springs/South Fremont is Well-Positioned to be a Highly Competitive 21st Century Employment/Mixed-Use District

# Warm Springs/South Fremont Compares Well to Other Emerging High-Tech Employment Centers

Approximate same-scale comparison of districts

Mission Bay, San Francisco



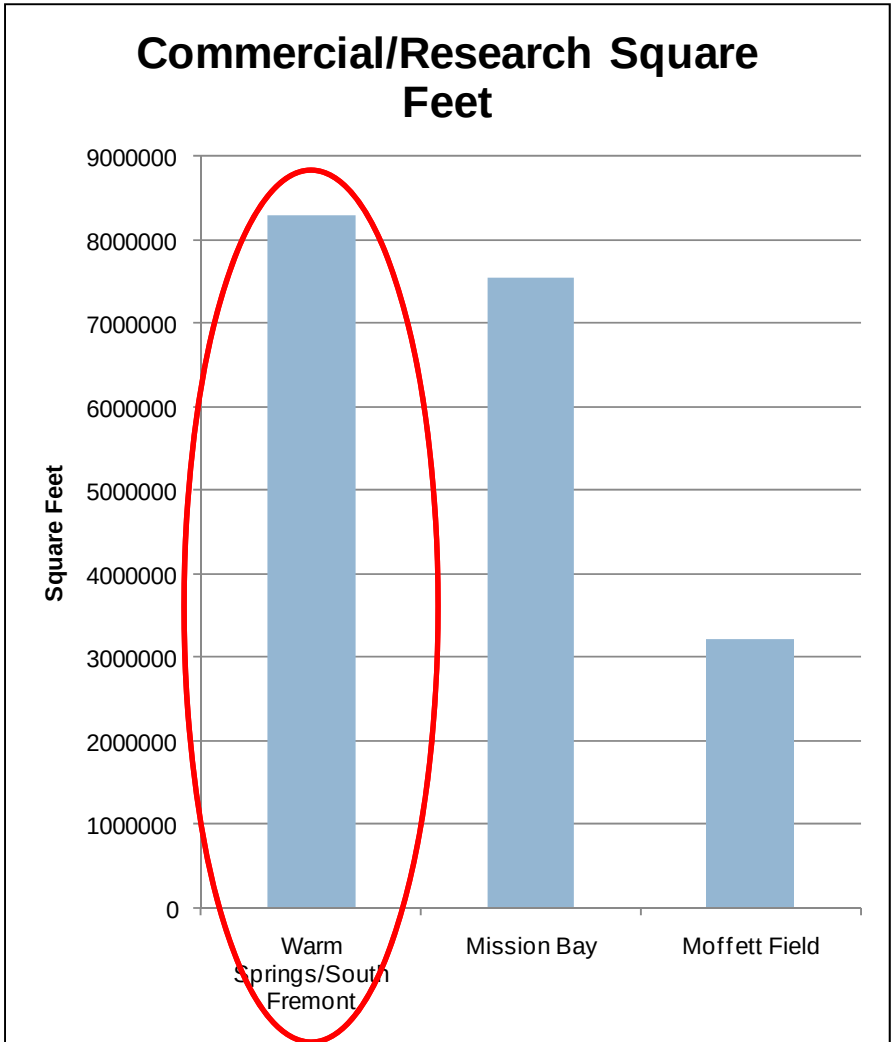

Warm Springs Study Area

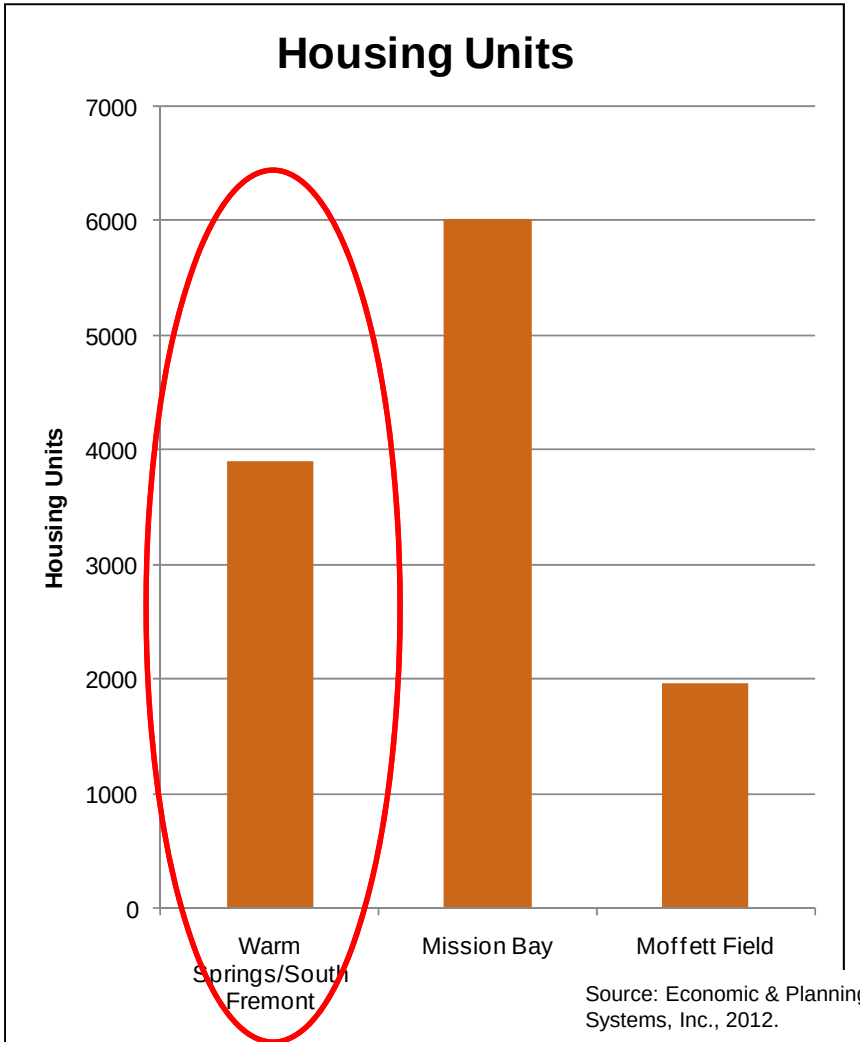
Moffett Field/NASA Research Park, Mountain View

Source: Google Earth, 2012; Strategic Economics, 2012.

# Warm Springs is a Complementary Opportunity

**Comparison of planned build-out of employment districts**




Source: Economic & Planning Systems, Inc., 2012.

# Warm Springs Critical for Future Growth of the Bay Area Economy

- Large scale and available vacant land
- Strong freeway and transit access to a large, diverse workforce
- Proven resiliency in the marketplace
- Strategic central location for capturing future growth in innovation industries

# Next Step For Warm Springs

- How can BART, commute access, land availability, and advanced manufacturing/R&D opportunities be leveraged to take Warm Springs/South Fremont to the next level?